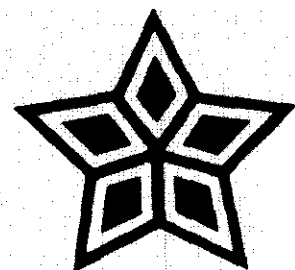


PRANAVADITYA SPINNING MILLS LIMITED



10th Annual Report
1999 - 2000



PRANAVADITYA SPINNING MILLS LIMITED

BOARD OF DIRECTORS	SHRI HARKISHON N. UDANI	<i>Chairman</i>
	SHRI MADHUSUDAN D. VORA	<i>Director</i>
	SHRI BHARAT P. SHAH	<i>Director</i>
	SHRI YESHWANT R. SHAH	<i>Director</i>
	SHRI PREMAL H. UDANI	<i>Director</i>
	SHRI HASMUKHLAL S. PARIKH	<i>Director</i>
	SHRI UDAY S. KOTAK	<i>Director</i>
	SHRI VISHAL U. SHETH	<i>Director</i>
	SHRI PARAG H. UDANI	<i>Managing Director</i>
	SHRI F. REHMAN	<i>Technical Director</i>

COMPANY SECRETARY & FINANCE MANAGER : **SANDEEP GANDHI**

BANKERS : BANK OF BARODA
UNION BANK OF INDIA

AUDITORS : **M/s. VINOD VASA & ASSOCIATES**
Chartered Accountants,
Jumna Building,
292, Tilak Marg, Dhobi Talao,
Mumbai - 400 002.

CORPORATE OFFICE : Sakhar Bhavan, 5th Floor,
Nariman Point,
Mumbai - 400 021.

REGISTERED OFFICE & MILL : Village : Alte
Taluka : Hatkanangale
District : Kolhapur
Maharashtra : 416 109

SHARE TRANSFER AGENTS : **R & D CONSULTANTS PVT. LTD.**
610, Dalamal Towers,
211, Nariman point,
Mumbai - 400 021.
Tel : 283 4374 / 283 4347

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NOTICE

Notice is hereby given that the **Tenth Annual General Meeting** of the members of **PRANAVADITYA SPINNING MILLS LTD.** will be held on Thursday, the 28th September, 2000, at 4.00 p.m. at the Registered Office of the Company at Village Alte, Hatkanangale Taluka, Kolhapur District, Maharashtra - 416 109 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2000, and the Audited Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Madhusudan D. Vora who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Bharat P. Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Uday S. Kotak who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS :

6. To appoint a Director in place of Shri Vishal U. Sheth, who has been appointed an Additional Director of the Company by the Board of Directors with effect from July 27, 2000 pursuant to Article 110 of the Articles of Association of the Company and who, under Section 260 of the Companies Act, 1956, holds office up to the date of the forthcoming Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a shareholder proposing his candidature for the office of Director under the provisions of Section 257 of the Act.
7. To appoint a Director in place of Shri F. Rehman, who has been appointed an Additional Director of the Company by the Board of Directors with effect from August 01, 2000 pursuant to Article 110 of the Articles of Association of the Company and who, under Section 260 of the Companies Act, 1956, holds office up to the date of the forthcoming Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a shareholder proposing his candidature for the office of Director under the provisions of Section 257 of the Act.
8. To consider and if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution**:

"RESOLVED THAT in terms of Article 111 of the Articles of Association of the Company and pursuant to the provisions of Sections 198, 309, 310, 311, 314,

Schedule XIII and other applicable provisions, if any, of the Companies act, 1956, and also subject to the approvals of the Financial Institutions or Banks, if any, the Company hereby approves of and consent to the appointment of Shri F. Rehman as a "Technical Director" designated as President (Works), on the remuneration and on the terms and conditions as set out in the draft Technical Director's Agreement expressed to be made and entered into between the Company of the one part and Shri F. Rehman of the other part, which draft agreement is placed before this meeting and initialled by the Chairman for the purpose of identification is hereby approved and that the stamped engrossment in duplicate of such draft agreement be executed under the Common Seal of the Company in accordance with the relevant provisions of the Articles of Association of the Company in that behalf.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this Resolution."

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. The Proxies, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 21st September, 2000, to 28th September, 2000, (both days inclusive).
4. The Company's Equity Shares are listed at : (1) The Stock Exchange, Mumbai (Regional Stock Exchange), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001; and (2) The Stock Exchange, Ahmedabad, Kamdhenu Complex, Opp. Sahajanand College, Panjarapole, Ahmedabad - 380 015. The Annual Listing Fees as prescribed has been paid to each of these Stock Exchanges.
5. Members are requested to :
 - (a) Notify any change in their registered address along with pin code numbers to Company's Share Transfer Agent, M/s. R & D Consultants Private Limited, at 610, Dalamal Towers, 211, Nariman Point, Mumbai - 400 021.
 - (b) Quote their respective ledger folio numbers on every communication with the Company and / or Share Transfer Agent.



PRANAVADITYA SPINNING MILLS LIMITED

- (c) Bring their copies of Annual Report to the meeting. No copies of the Annual Report will be available for distribution to the members at the meeting.
- (d) Deposit duly filled-in attendance slip annexed to the Proxy Form at the entrance to the place of meeting and not to bring with them any other person who is not a member / proxy.
- (e) Write to the Company at least 10 days before the date of the meeting regarding any information on

accounts so as to enable the Company to keep the information ready.

By Order of the Board of Directors

SANDEEP GANDHI
Company Secretary &
Finance Manager

Place : Mumbai
Date : 21st August, 2000.

Registered Office:
Village Alte,
Taluka Hatkanangale,
Kolhapur
Maharashtra - 416 109

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 6

Shri Vishal U. Sheth was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 27th July, 2000. Under Article 110 of the Companies Act, 1956, he hold the office only upto the date of this Annual General Meeting. The Company has already received notice from member signifying their intention to propose him as candidate to the office of the Director of the Company with a deposit of Rs.500/- which shall be refunded if he is elected as Director of the Company.

Except Shri Vishal U. Sheth, no other Directors are interested or concerned in the above resolution.

Item No. 7 & 8

Shri F. Rehman was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 21st August, 2000. Under Article 110 of the Companies Act, 1956, he hold the office only upto the date of this Annual General Meeting. The Company has already received notice from member signifying their intention to propose him as candidate to the office of the Director of the Company with a deposit of Rs.500/- which shall be refunded if he is elected as Director of the Company.

Shri F. Rehman, B.Sc., B.Text. aged 63 years, President (Works), was appointed by the Board of Directors at the Meeting held on 21st August, 2000 as a "Technical Director", designated as President (Works), pursuant to Article 111 of the Articles of Association of the Company for a period of FIVE years with effect from 01.08.2000, i.e. upto 31.07.2005, on the remuneration and on the terms and conditions as set out in the Draft Technical Director's Agreement, subject to the approval of the Company in the General Meeting and also subject to the approvals of the Financial Institutions or Banks, if any.

Remuneration and other perquisites payable to Shri F. Rehman with effect from 01.08.2000 are as under :

a) Salary :

Rs.30,000/- (Rupees thirty thousand only) per month. This will include dearness allowance and all other allowances not otherwise specified herein.

b) Perquisites as follows :

- i) Contribution to Provident Fund to the extent the same are not taxable under the Income Tax Act.
- ii) Gratuity as per the provisions of the Payment of Gratuity Act, or as per Gratuity Scheme of the Company whichever is higher.
- iii) Provision of car with driver for use on Company's business and telephone at the residence.

It is in this context that a resolution is placed before the Company as a Special Resolution. The resolution is self-contained and self-explanatory. The Board commands the resolution for acceptance.

Except Shri F. Rehman, none of the other Directors in anyway are interested or concerned in the said resolution.

Draft Technical Director's Agreement proposed to be executed between the Company and Shri F. Rehman is available for inspection at the Registered Office of the Company on any working day between 10.00 a.m. and 12.00 Noon.

The above may also be treated as an abstract of the terms of appointment of the Technical Director under Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

SANDEEP GANDHI
Company Secretary &
Finance Manager

Place : Mumbai
Date : 21st August, 2000.

Registered Office:
Village Alte,
Taluka Hatkanangale,
Kolhapur, Maharashtra. - 416 109

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting their **Tenth Annual Report** togetherwith the Audited Statement of Accounts for the year ended 31st March, 2000.

1. FINANCIAL RESULTS :

	For the Year ended 31.03.2000 (Rs.in Lacs)	For the Year ended 31.03.1999 (Rs. in Lacs)
Gross Sales	<u>4050.19</u>	<u>4000.20</u>
Profit before Depreciation		
Interest and Tax	<u>555.50</u>	396.92
Less : Interest	<u>306.09</u>	311.54
Depreciation	<u>179.07</u>	80.57
Profit before Tax	<u>70.34</u>	4.81
Provision for Tax	<u>8.00</u>	0.40
Net Profit	<u>62.34</u>	4.41
Add : Balance in Profit & Loss Account	<u>454.77</u>	450.36
Profits available for Appropriation	<u>517.11</u>	454.77
Balance Carried to Balance Sheet	<u>517.11</u>	454.77

2. BUSINESS OPERATIONS:

Your Directors are happy to report that there has been improvement in the general recessionary trends faced in the last two years.

During the year under report, sales were maintained and marginally improved to Rs.4050.19 lacs as compared to Rs.4000.19 lacs during the preceeding year. The Net Profit substantially increased to Rs.62.34 lacs in the year under report compared to that of Rs.4.41 lacs of the preceeding year after provision of depreciation and tax.

3. FUTURE PROSPECTS:

There is better movement and demand of Cotton Yarn. While import of Cotton has been liberalised, good domestic cotton crop is expected in the coming months with favourable rains. Yarn produced by the Company has been well received in the market and the Company is constantly reviewing marketing strategy to maximise advantages in the domestic and export markets. Constant emphasis is also being placed on reduction of costs and maintaining high standards of productivity. The Company has been making all out efforts to improve the quality and

productivity. The Company has also broad based different product mix and increased capacity for producing Knitted Fabrics. With these steps, the Company is looking forward with optimism to better performance.

4. DIVIDEND :

In view of low profits & to conserve resources, your Directors do not recommend dividend for the financial year under review.

5. DEPOSITS :

As on the date of this report, none of the deposits are overdue for repayment.

6. DIRECTORS :

Shri Kantilal K. Sheth – Chairman & Director of the Company has resigned due to his pre-occupations and Shri Harkishon N. Udani has been appointed as a Chairman of the Company. Shri Kantilal K. Sheth made significant contributions for the growth of the Company and rendered valuable services during his association as Chairman and Director. The Directors placed on record the vast contribution made by Shri Sheth.

Shri Madhusudan D. Vora, Shri Bharat P. Shah and Shri Uday S. Kotak will retire at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment as Directors.

Mr. Vishal U. Sheth, is being appointed as an Additional Director with effect from 27th July, 2000. Mr. Sheth hold office upto the date of Annual General Meeting and being eligible, offers himself for re-appointment as Director.

Mr. F. Rehman is being appointed as an Additional Director designated as 'Technical Director' (President Works) with effect from 01.08.2000 for a period of 5 years. Mr. Rehman holds the office upto the date of Annual General Meeting and being eligible, offers himself for re-appointment as Director. The Board also nominated him as the occupier of the factory.

7. PERSONNEL :

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules, 1975, are set out in the schedule annexed hereto forming part of this report.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

Information in accordance with the Provisions of Section 217 (1)(e) of the Companies Act, 1956, read



PRANAVADITYA SPINNING MILLS LIMITED

with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

9. AUDITORS :

M/s. Vinod Vasa & Associates, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956. Accordingly, the said auditors being eligible, offers themselves for re-appointment. Members are requested to appoint and fix their remuneration.

10. AUDITORS' REPORT :

The notes to the accounts referred to in the Auditors' Report and observations made by the Auditors are self contained and self-explanatory and also have been properly dealt in the Notes to the Accounts and therefore do not call for further explanation under Section 217(3) of the Companies Act, 1956.

11. Y2K COMPLIANCE :

The Y2K transition was smooth without any disruption to any of the operations of the Company.

12. INSURANCE :

All the properties of the Company have been adequately insured against fire, marine and other risks.

13. ENVIRONMENT, SAFETY AND POLLUTION CONTROL :

Your Company has been taking proper care in complying with all statutory requirements relating to safety, environment and pollution control.

14. ACKNOWLEDGEMENT :

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions and the Banks during the year under review.

The Directors also wish to record their appreciation for the sincere and dedicated efforts of Executives, Staff and Workers of the Company for its success.

For and on behalf of the Board of Directors

Place : Mumbai

Date : 21st August, 2000.

HARKISHON N. UDANI

Chairman

Registered Office:

Village Alte,
Taluka Hatkanangale,
Kolhapur
Maharashtra - 416 109

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ANNEXURE - I

Statement pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of Directors' Report.

Sr. No.	Name	Age	Designation/ Nature of duties	Total remuneration	Qualification	Experience (Yrs.)	Date of commen- cement of employment	Last employment held before joining the company
1.	Mr.Parag H. Udani	39 yrs.	Managing Director	Rs. 6,32,500/-	B.Com., MBA	15 Yrs.	16.9.1992	M/s. Keshavlal Talakchand

Notes:

1. Employment of the Managing Director is contractual.
2. Mr. Parag H. Udani is related to Mr. H.N. Udani as son and Mr. Premal H. Udani as brother.

ANNEXURE - II

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report.

(I) Conservation of Energy :

a) Energy Conservation Measures taken :

Energy Conservation is an ongoing process within the Company. The Company has been making continuous efforts for enhancement in capacity utilisation, cost competitiveness and quality through systematic process monitoring and adherence to technological norms. In addition, 2 (Two) 500 KVA Diesel Generating Sets have also been installed during the year, which lower the power cost of the Company.

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy: NIL

(c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

The above measures will help in reducing cost.

(d) FORM - A

(i) Power and Fuel Consumption :

	1999-2000	1998-99
1. Electricity :		
(a) Purchased Units ('000)	6094.59	8723.75
Total Amount (Rs. in lacs)	251.03	310.59
Rate per Unit	4.12	3.78
(b) Own Generation		
Through Diesel Generator		
- Units ('000)	3919.44	1326.11
Unit per litre of Diesel Oil	3.58	3.48
Cost per Unit	3.00	3.07
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others	Nil	Nil

(ii) Consumption per Unit of Production :

Production of yarn (M.T.)	3680.08	4139.85
Electricity per M.T. of production	2.72	2.43

(II) Technology Absorption :

FORM - B

i) Research and Development:

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Specific areas in which R & D carried out by the Company</p> <p>2. Benefits derived as a result of above R & D.</p> <p>3. Future plan of action</p> <p>4. Expenditure on R & D :</p> <p>(a) Capital</p> <p>(b) Recurring</p> <p>(c) Total</p> <p>(d) Total R & D expenditure as a percentage of total turnover</p> | <p>- R & D carried out for increasing the strength of the yarn. The efforts of the Company also directed towards improvement of manufacturing process, yarn quality and productivity.</p> <p>- Reduction in cost of output, decrease in wastages and improvement in quality of yarn.</p> <p>- The above activities shall continue and more efforts in this direction will be made.</p> <p>- No system of separate maintenance of accounts have been developed. The expenditure is merged with various other heads of expenses.</p> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

ii) Technology absorption, adaptation and innovation :

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Efforts, in brief technology absorption, adoption and innovation.</p> <p>2. Benefits derived as a result of above efforts, e.g., product improvement, cost reduction, product development, import substitutions, etc.</p> <p>3. Details of imported technology</p> | <p>- The plants are based on indigenous technology.</p> <p>- Nil</p> <p>- No technology has been imported during the last 5 years.</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|

(III) Foreign Exchange Earnings and Outgo :

	1999-2000 (Rs. in lacs)	1998-99 (Rs. in lacs)
Total Earnings (F.O.B. Value)	458.59	1131.01
Total Outgo	23.89	64.85



PRANAVADITYA SPINNING MILLS LIMITED

AUDITORS' REPORT

To,
The Shareholders,
PRANAVADITYA SPINNING MILLS LIMITED,
Alte.

We have audited the annexed Balance Sheet of PRANAVADITYA SPINNING MILLS LIMITED, as at 31st March, 2000 and also the annexed Profit & Loss Account of the Company for the year ended on that date and report that:

I. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of books and records of the Company as are considered appropriate and on the basis of information and explanations given to us during the course of our audit, we state on the matters specified in Paragraphs 4 & 5 of the said order that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As informed to us the fixed assets have been physically verified by the Management at reasonable intervals. According to the information given to us, no material discrepancies have been noticed by the Management on such physical verification as compared to available records.
2. None of the Fixed assets have been revalued during the year.
3. The stocks of the finished goods lying with the Company at all its locations, Stores, Spare parts and Raw Materials have been physically verified during the year by the Management. In our opinion, the frequency of such verification during the year is reasonable. Discrepancies, if any, noticed on verification between the physical stocks and the books/records have been properly dealt with in the books of accounts. The company has relied on the stock statements periodically sent by the sales depots/vendors in so far as the stocks of finished goods lying with such parties on behalf of the Company.
4. According to the information and explanations given to us, the procedure of physical verification of stocks as followed by the management, in our opinion, though adequate in relation to the size of the Company and nature of its business, requires further strengthening. No material discrepancy has been noticed on such verification of the stocks as compared to the book records.
5. In our opinion, and on the basis of such checks as were considered necessary, and according to the information and explanations given to us the valuation of the stock as referred to hereinabove is fair and proper and in accordance with the normally accepted accounting principles subject to note no. 4 in Schedule 21 and is not on the

same basis as in proceeding year, so far as it relates to valuation of Raw Materials, Process stocks and Traded goods, as explained in Note no. 1 (v) in Schedule 21.

6. In our opinion, the rates of interest and other terms and conditions of loans, secured or unsecured, taken from companies, firms or other parties listed in the register maintained under section 301 and/or from the companies under the same management as defined under sub-section 1B of Section 370 of the Companies Act, 1956, are not prima facie prejudicial to the interest of the Company except that the rate of interest is higher than those on the borrowings from bankers, which is explained to be because of non-furnishing of any security against these loans. Section 370 has since been made inapplicable by Section 17 of the Companies (Amendment) Ordinance, 1999.
7. The Company has not granted any loans to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or to any company under the same management within the meaning of Section 370(1B) of the Companies Act, 1956, notwithstanding the inapplicability of section 370 of the Companies Act, 1956, with effects from 31st October, 1998, Vide Section 17 of the Companies (Amendment) Act, 1999. In respect of interest free loans granted to the employees, repayment is being received as stipulated.
8. In our opinion and according to the explanations given to us, there are adequate internal control procedures commensurate with the size and nature of the business of the Company with regard to purchase of Stores, Raw materials including Components, Plants and Machinery, equipments and other assets as also in regard to sale of goods through personal control and supervision of the management.
9. In our opinion and according to the information and explanations given to us, transactions of purchase of goods and materials and sale of goods and materials made in pursuance of contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 as aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices which are reasonable having regards to the prevailing market prices for such goods and materials where such market prices are available or the prices at which transactions for similar goods or materials have been made with other parties.
10. The Company has a regular procedure for determination of unserviceable, damaged raw materials, stores and finished goods. Adequate provisions have been made in the accounts for the loss arising on items so determines.